

Fairfax County Economic Index

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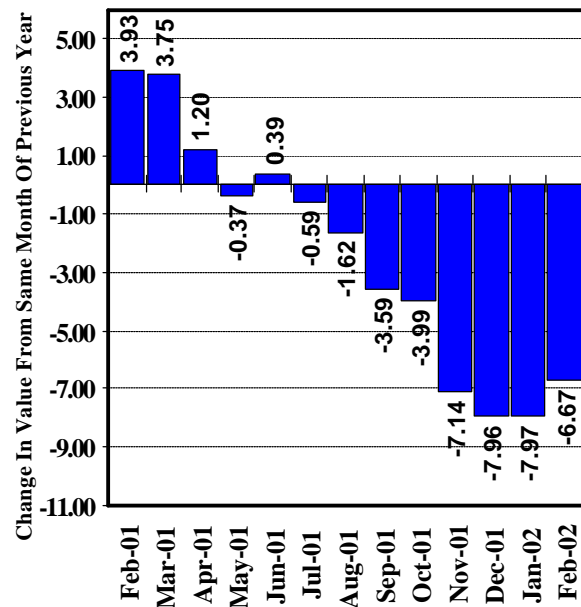
County Economy Remains Weak Leading Indicators Moderate in February

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, declined to 123.7 in February for a decrease of 0.67 percent. This decrease follows two slight monthly gains. The Index has been trending down for a year losing 5.12 percent since February 2001. This month's decrease reflects declines in two of the Index's four components.

- Sales tax collections, adjusted for inflation and seasonal variation, declined sharply in February after registering gains in December and January; and,
- Consumer confidence (in the present) declined slightly extending its downward trends to eight consecutive months; while,
- Total employment increased slightly for a second month following decreases in November and December; and,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, increased for the second time in three months.

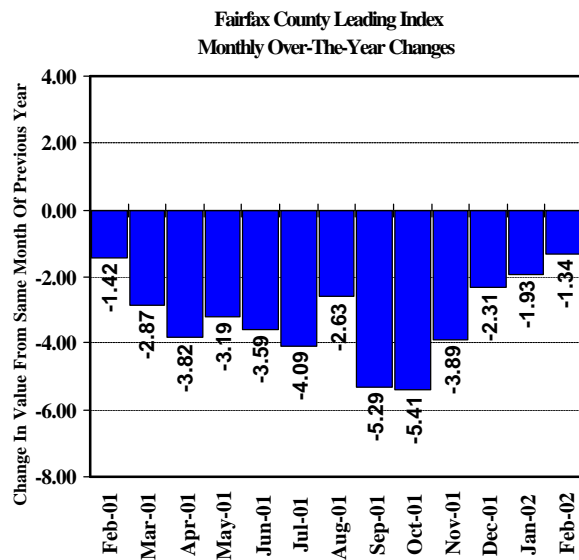
The **Fairfax County Leading Index**, which is designed to forecast the performance of

Fairfax County Coincident Index
Monthly Over-The-Year Changes



Source: Center for Regional Analysis, George Mason University

the County's economy nine to twelve months in advance, dropped to 104.3 for a decrease of 0.78 percent. This decrease in the Leading Index reversed a four-month upward trend, although for the last 12 months the Index has lost 1.3 percent. In February, three of the Index's five components contributed to its decline.



Source: Center for Regional Analysis, George Mason University

- New automobile sales were down sharply erasing January's gain;
- Consumer expectations (confidence six months hence) fell slightly after increases in each of the previous three months; and,
- Initial claims for unemployment insurance increased (worsened) following three monthly declines (improvement); while,
- Residential building permits recorded a small gain following January's sharp decline; and,
- The total value of residential building permits registered a strong gain increasing for only the fifth time in 12 months.

The Fairfax County economy continued to exhibit the weaknesses that have characterized its performance since the beginning of 2001. This softening of the local economy has been mirrored at the metropolitan level as well as nationally. The economy's weakness is seen in its uneven month-to-month performance of component indicators and its inability to sustain the renewed strength exhibited in recent months. The fragile nature of the economy in February was also seen in the performance of the Leading Index. While it had managed a four-month gain between October and

January, its performance in January was only slightly positive and, then in February, it gave back some of these gains. However, this reversal does not appear to reflect a retrenchment in the economy but rather was the consequence of seasonal factors and continuing uncertainty in the national economy. This mixed performance of the County's economy reflects the consequences of past trends that were deepened by the aftermath of the September 11 terrorist attacks.

CURRENT CONDITIONS

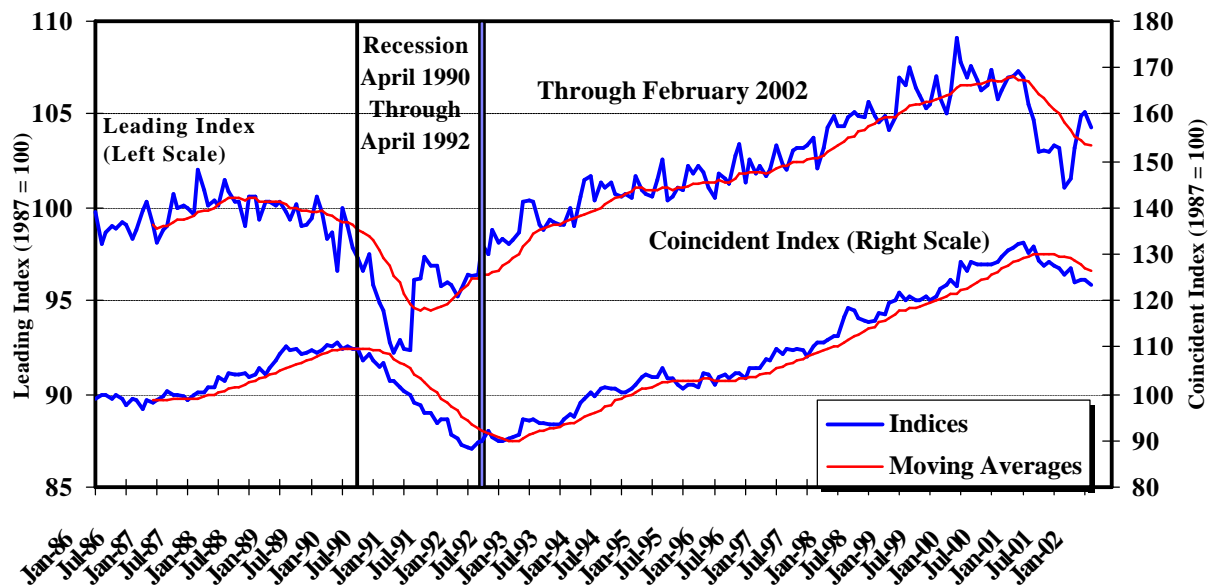
The County's February performance does not provide a clear direction for its future. Overall, the economy was flat showing only modest gains in employment growth (1.9 percent) and a slight decrease in unemployment—down from 3.1 in January to 3.0 in February. However, initial claims for unemployment insurance increased by 18 percent from January indicating that some local firms are still downsizing.

With consumer confidence declining for an eighth month, consumer spending continued to seesaw with losses in retail sales and new automobiles in February following gains in January. However, consumer confidence rose sharply in March and it is likely that consumer spending will pick up in coming months.

There are signs that the national economy is accelerating with this upward trend starting at the end of 2001. Still, the economy only managed to generate job growth in March for the first time since last June but unemployment rose to 5.7 percent in March after declining slightly at the beginning of the year. This alternating pattern of strength and weakness reflects the differential effects that the slowdown had on various segments of the economy.

The same is true in the Fairfax County economy. Not all segments of the economy will take off simultaneously. At this time, the current indicators through the year's first two months do not exhibit any substantial signs of re-acceleration. However, it is likely that this has already changed

Business Cycle Indicators -- Fairfax County, Virginia



Source: Center for Regional Analysis, George Mason University

with seasonal and other positive factors combining to generate renewed strength beginning in March.

NEAR-TERM OUTLOOK

The County's Leading Index had been tracking higher for four months until it dipped slightly in February. This pattern closely parallels the Washington Leading Index and the National Leading Index. In each, February's performance was down or flat. However, it is the trend that is important in a forecasting index. The Fairfax County Leading Index is still outperforming its 12-month moving average and pointing to renewed growth in the Coincident Index later this year.

The Index's weakness in February deviated from a strong rebound beginning in October. During its four-month rise, initial claims for unemployment insurance fell pointing to a stabilization in the County's employment base, consumer expectations grew, and new automobile sales, residential building permits and total permit value increased. The work force was growing and consumers were spending—the formula for economic expansion. February's reversal should

be viewed as a one-month break in this pattern. Consumer expectations increased sharply in March and the local job market should be improving due to seasonal factors. With income and consumer confidence growing, the indicators should continue their upward trend beginning in March and slowly accelerate through the remainder of the year.

The Fairfax County economy has struggled in the first two months of 2002 as it did in the third quarter last year. Its peak growth period ended at the beginning of 2001 and over the remainder of the year the economy's growth rate slowed. With the signs of re-acceleration beginning during the last quarter of 2001, the economy's weaker performances in January and February could be misinterpreted as a reversal rather than part of the recovery sequence. January and February are normally slow months and, with the economy still struggling to recover from its year-long slowdown and restructuring, sustained, strong growth will not be achieved quickly. The signs are good, however, that the County's economy is now positioned for expansion with this trend becoming clearer in the second quarter.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Feb-02 Prelim.	Jan-02 Final	Feb-01 Final	Jan-02 to Feb-02	Feb-01 to Feb-02
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	123.69	124.53	130.36	-0.67	-5.12
Leading Index (1987 = 100)	104.28	105.10	105.62	-0.78	-1.27
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	559,535	558,159	548,964	0.25	1.93
<i>Total Covered Employment (Unadjusted)</i>	<i>552,149</i>	<i>550,864</i>	<i>541,718</i>	<i>0.23</i>	<i>1.93</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	398	396	448	0.56	-11.05
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>560</i>	<i>717</i>	<i>608</i>	<i>-21.88</i>	<i>-7.90</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	7,534	8,497	7,318	-11.34	2.95
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>9,488</i>	<i>8,804</i>	<i>9,529</i>	<i>7.77</i>	<i>-0.43</i>
South Atlantic Consumer Confidence	97.1	98.8	174.5	-1.72	-44.36
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	5,733	8,481	6,810	-32.40	-15.81
<i>Automobile Registrations (Unadjusted)</i>	<i>4,600</i>	<i>7,133</i>	<i>5,464</i>	<i>-35.51</i>	<i>-15.81</i>
Initial Unemployment Claims (Seasonally Adjusted)	1,806	1,536	785	17.58	129.96
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>1,957</i>	<i>2,165</i>	<i>851</i>	<i>-9.61</i>	<i>129.96</i>
South Atlantic Consumer Expectations	105.6	106.9	80.9	-1.22	30.53
Residential Building Permits (Number of Units, Seasonally Adjusted)	412	385	730	7.01	-43.63
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>354</i>	<i>283</i>	<i>628</i>	<i>25.09</i>	<i>-43.63</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	41,085	33,705	40,153	21.90	2.32
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>53,141</i>	<i>38,040</i>	<i>50,156</i>	<i>39.70</i>	<i>5.95</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	586,505	585,513	582,800	0.17	0.64
<i>Total Labor Force (Unadjusted)</i>	<i>581,174</i>	<i>578,563</i>	<i>577,503</i>	<i>0.45</i>	<i>0.64</i>
Unemployment Rate (Percent, Seasonally Adjusted)	2.97	3.12	1.19	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>2.94</i>	<i>3.15</i>	<i>1.16</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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